## REPORT OF THE AUDIT OF THE JEFFERSON COUNTY CLERK

For The Year Ended December 31, 2009



## CRIT LUALLEN AUDITOR OF PUBLIC ACCOUNTS

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#### **EXECUTIVE SUMMARY**

### AUDIT EXAMINATION OF THE JEFFERSON COUNTY CLERK

### For The Year Ended December 31, 2009

The Auditor of Public Accounts has completed the Jefferson County Clerk's audit for the year ended December 31, 2009. Based upon the audit work performed, the financial statements present fairly in all material respects, the revenues and expenditures of the County Clerk and the revenues, expenditures, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer in conformity with the regulatory basis of accounting.

#### **Financial Condition:**

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected are deposited in a County Clerk's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected are deposited to the county government fund and paid quarterly to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

The Jefferson County Clerk had total revenues of \$154,874,034, which was a \$3,488,688 decrease from the prior year. Except for reimbursed expenses in the amount of \$2,740,618, the clerk paid 25% of receipts to the Louisville/Jefferson County Metro Government in the amount of \$3,773,379. This was an increase of \$84,941 from the prior year. In addition, 75% fund operating expenditures decreased by \$629,209.

#### **Debt Obligations:**

Total lease principal as of December 31, 2009, was \$50,952. Future collections of \$50,952 are needed over the next 5 years to pay all lease principal and interest.

#### **Deposits:**

The County Clerk's deposits were insured and collateralized by bank securities.

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### CRIT LUALLEN AUDITOR OF PUBLIC ACCOUNTS

The Honorable Jerry E. Abramson, Mayor, Louisville/Jefferson County Metro Government Honorable Bobbie Holsclaw, Jefferson County Clerk Members of the Louisville/Jefferson County Metro Council

#### Independent Auditor's Report

We have audited the accompanying statement of revenues and expenditures - regulatory basis of the County Clerk of Jefferson County, Kentucky and the statement of revenues, expenditures, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer - regulatory basis for the year ended December 31, 2009. These financial statements are the responsibility of the County Clerk. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk prepares the financial statements on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statements referred to above presents fairly, in all material respects, the revenues, expenditures, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer for the year ended December 31, 2009, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with <u>Government Auditing Standards</u>, we have also issued our report dated April 13, 2010 on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with <u>Government Auditing Standards</u> and should be considered in assessing the results of our audit.



The Honorable Jerry E. Abramson, Mayor, Louisville/Jefferson County Metro Government Honorable Bobbie Holsclaw, Jefferson County Clerk Members of the Louisville/Jefferson County Metro Council

This report is intended solely for the information and use of the County Clerk and members of the Louisville/Jefferson County Metro Council, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Crit Luallen

Auditor of Public Accounts

April 13, 2010

## JEFFERSON COUNTY BOBBIE HOLSCLAW, COUNTY CLERK STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS

#### For The Year Ended December 31, 2009

#### Revenues

Library and Archives Grant		\$	18,388	
State Fees For Services			278,904	k
Metro Government			1,391,219	k
Licenses and Taxes:				
Motor Vehicle-				
Licenses and Transfers	\$ 17,723,057			
Usage Tax	50,284,931			
Tangible Personal Property Tax	51,337,543			
Other-				
Marriage Licenses	139,059			
Affordable Housing Trust	1,031,628			
Shelter For Spouse Abuse	48,810			
Deed Transfer Tax	2,284,048			
Delinquent Taxes	25,197,016			
Delinquent Taxes (Reimbursed)	11,723 *	k	148,057,815	
Fees Collected for Services:				
Recordings-				
Deeds, Easements, and Contracts	225,462			
Real Estate Mortgages	441,987			
Chattel Mortgages and Financing Statements	1,007,083			
Powers of Attorney	36,816			
Bail Bonds	2,717			
Fee For Library and Archives	119,445			
Tax Liens	217,631			
Extra Pages	1,120,260			
Assignments	39,066			
All Other Recordings	28,360			
Releases	340,956			
Probate	20,831			
Lien Holder Penalties	9,110			
Corporation and Business	70,496		3,680,220	
Other:				
Candidate Filing Fees	1,620			

# JEFFERSON COUNTY BOBBIE HOLSCLAW, COUNTY CLERK STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS For The Year Ended December 31, 2009 (Continued)

#### Revenues (Continued)

\$ 18,850		
(71)		
335,144 *		
412,942 *		
3,244 *		
200,126 *		
17,531 *		
16,714 *		
3,588 *		
368,311		
(154) *		
39,288 *		
6		
 30,349 *	\$	1,447,488
\$	(71) 335,144 * 412,942 * 3,244 * 200,126 * 17,531 * 16,714 * 3,588 * 368,311 (154) * 39,288 *	(71) 335,144 * 412,942 * 3,244 * 200,126 * 17,531 * 16,714 * 3,588 * 368,311 (154) * 39,288 * 6

Total Revenues 154,874,034

#### **Expenditures**

Payments to State:

Licenses and Transfers	\$ 11,696,779	
Usage Tax	48,775,035	
Tangible Personal Property Tax	19,476,611	
Licenses, Taxes, and Fees-		
Delinquent Tax	5,718,733	
Affordable Housing Trust	1,031,628	
Legal Process Tax	510,992	87,209,778

5,923,619	
3,862,340	
2,169,846	11,955,805
	3,862,340

#### JEFFERSON COUNTY BOBBIE HOLSCLAW, COUNTY CLERK STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS For The Year Ended December 31, 2009 (Continued)

#### Expenditures (Continued)

Payments to Other Districts:				
Tangible Personal Property Tax	\$ 23,883,811			
Delinquent Tax	 8,623,648	. \$	32,507,459	
Payments to Sheriff			1,545,134	
Payments to County Attorney			3,375,804	
Payments to Library			6	
Operating Expenditures:				
Other Charges-			407.507	
Bankcard Processing			427,527	
Library and Archives Grant			18,388	
Total Expenditures				\$ 137,039,901
Net Revenues				17,834,133
Payments to State Treasurer:				
75% Operating Fund			14,060,754	
25% Metro Fund			3,773,379	 17,834,133
Balance Due at Completion of Audit				\$ 0

<sup>\*</sup> Includes reimbursed expenses in the amount of \$2,740,618 for the audit period. See Note 1 of Notes to Financial Statements.

# JEFFERSON COUNTY BOBBIE HOLSCLAW, COUNTY CLERK STATEMENT OF REVENUES, EXPENDITURES, AND FUND BALANCES OF THE COUNTY CLERK'S OPERATING FUND AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS

#### For The Year Ended December 31, 2009

	75% Operating Fund	25% Metro Fund	Totals
Fund Balance - January 1, 2009	\$ 1,277,502	\$ 275,575	\$ 1,553,077
Revenues			
Fees Paid to State - Operating Funds (75%) Fees Paid to State - Metro Funds (25%)	14,060,754	3,773,379	14,060,754 3,773,379
Total Funds Available	15,338,256	4,048,954	19,387,210
<u>Expenditures</u>			
Louisville/Jefferson County Metro Government	\$	\$ 3,767,270	\$ 3,767,270
Officials Statutory Maximum	105,841	, -,, -,, -,	105,841
Official's Incentive Pay	3,528		3,528
County Clerk's Expense Allowance	3,600		3,600
Personal Services-			
Deputies Salaries	8,782,597		8,782,597
Overtime	9,353		9,353
Employee Cash Out	40,268		40,268
Employee Benefits-			
Employer's Share Social Security	632,968		632,968
Employer's Share Retirement	1,317,563		1,317,563
Employer's Paid Health Insurance	1,256,875		1,256,875
Employee Assistance Program	5,670		5,670
Workers Compensation Insurance	37,806		37,806
Unemployment Insurance	42,083		42,083
Occupancy-			
Rent	77,760		77,760
Telephone	64,866		64,866
Utilities	16,664		16,664
Mileage and Gasoline - Delivery	16,730		16,730
Maintenance and Repairs	293,275		293,275
Services-			
Personal Services Contract	187,597		187,597
Security Services	103,005		103,005

JEFFERSON COUNTY
BOBBIE HOLSCLAW, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND
FUND BALANCES OF THE COUNTY CLERK'S OPERATING FUND
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS
For The Year Ended December 31, 2009
(Continued)

	75%		25%		
	C	perating		Metro	
		Fund	Fund		 Totals
Expenditures (Continued)					
Services-(Continued)					
Janitorial	\$	67,632	\$		\$ 67,632
Pager Service		1,922			1,922
Printing		13,227			13,227
Advertising		41,822			41,822
Election Worker Payments		245			245
Supplies-					
Postage		169,847			169,847
Office Expense		122,049			122,049
Rental/Leases-Equipment		67,678			67,678
Meetings		2,316			2,316
Seminars		454			454
Tuition		4,462			4,462
Other Operating-					
Insurance and Bonds		37,261			37,261
Notary Bonds		1,372			1,372
Memberships Dues		18,955			18,955
Subscriptions		9,937			9,937
Capital Outlay-					
Furniture and Fixtures		9,121			9,121
Remolding and Renovations		5,426			5,426
Office Equipment		8,872			8,872
Computer Software		23,653			23,653
Computer Equipment		232,460			232,460
Total Expenditures		13,836,760		3,767,270	 17,604,030
Fund Balance - December 31, 2009	\$	1,501,496	\$	281,684	\$ 1,783,180

#### JEFFERSON COUNTY NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009

#### Note 1. Summary of Significant Accounting Policies

#### A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

#### B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount due from the County Clerk as determined by the audit.

KRS 64.350 establishes that a fee official in counties with a population over 70,000 has two funds with the State Treasurer for the deposit of fees collected. Seventy-five percent (75%) of the fees collected is deposited in a County Clerk's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected is deposited to the county fiscal court fund and paid to the fiscal courts, urban-county governments, or consolidated local governments of the respective counties quarterly no later than April 15, July 15, October 15, and January 15. These funds are closed at the end of each official term by paying the balances to the respective county government.

The financial statements have been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31:

- Interest receivable
- Collection on accounts due from others for 2009 services
- Reimbursements for 2009 activities
- Payments due other governmental entities for December tax and fee collections
- Payroll expenditures incurred but not paid
- Payments due vendors for goods or services provided in 2009

The Attorney General issued a letter which stated that some revenues of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are treated as revenue in the 75 percent fund.

JEFFERSON COUNTY NOTES TO THE FINANCIAL STATEMENTS December 31, 2009 (Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

#### C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

#### Note 2. Employee Retirement System

The county official and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.50 percent for the first six months and 16.16 percent for the last six months.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

JEFFERSON COUNTY NOTES TO THE FINANCIAL STATEMENTS December 31, 2009 (Continued)

#### Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1) (d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

#### Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County Clerk's deposits may not be returned. The County Clerk does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2009, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

#### Note 4. Grant

The County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$18,388 and matching funds of \$18,388. Funds totaling \$18,388 were expended during the year. The unexpended grant balance was \$18,388 as of December 31, 2009.

Note 5. Leases

Commitments to the following lease agreements as of December 31, 2009 were:

					Pı	rincipal
					В	alance
	Mo	onthly	Term of	Ending	Dece	ember 31,
Item Purchased	Pay	ment	Agreement	Date		2009
Postage Machine	\$	925	48 Months	9/1/2011	\$	19,425
Postage Machine		190	60 Months	7/1/2014		10,260
Copiers (3)		110	36 Months	3/31/2011		4,950
Copiers (8)		110	36 Months	4/30/2011		14,080
Copier		447	60 Months	5/19/2010		2,237
Totals					\$	50,952

JEFFERSON COUNTY NOTES TO THE FINANCIAL STATEMENTS December 31, 2009 (Continued)

#### Note 6. Going Out of Business Account

This account is used for companies who must post a bond when they have a going out of business sale. After the sale the bond may be released to the company. The account had receipts of \$3,007 and disbursements of \$1,014 for calendar 2009. The account had a balance of \$18,944 as of December 31, 2009.

#### Note 7. Bankruptcy Account

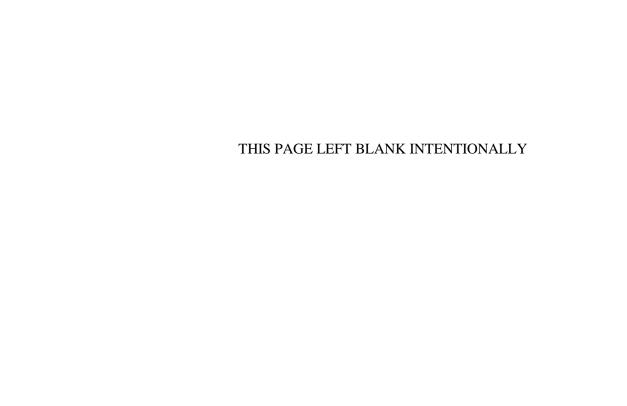
This account is used for bankruptcy payments from the Chapter 13 Bankruptcy Trustee. The payments from the trustee are for tangible property tax due the state or clerk or for delinquent property tax owed. The account had receipts of \$38 and disbursements of \$78 for calendar year 2009. The account had a balance of \$79,155 as of December 31, 2009.

#### Note 8. Delinquent Tax Escrow Account

This account is used to account for funds received when a third party purchases a delinquent tax bill and a property owner comes in to pay the delinquent bill and they cannot contact the third party purchaser of the tax bill. The account had receipts of \$1,151 and disbursements of \$0 for calendar year 2009. The account had a balance of \$7,242 as of December 31, 2009.

#### Note 9. Discretionary Fund Account

The Clerk has established a discretionary fund as provided by KRS 64.345. This fund is to cover additional expenses related to employee training, retirements, and extraordinary office expenses in amounts authorized by the approving authority. The fund had \$0 in receipts, expenditures of \$1,234, and an ending balance of \$29,430 as of December 31, 2009.



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



## CRIT LUALLEN AUDITOR OF PUBLIC ACCOUNTS

The Honorable Jerry E. Abramson, Mayor, Louisville/Jefferson County Metro Government Honorable Bobbie Holsclaw, Jefferson County Clerk Members of the Louisville/Jefferson County Metro Council

> Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of The Financial Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements - regulatory basis of the Jefferson County Clerk for the year ended December 31, 2009, and have issued our report thereon dated April 13, 2010. The County Clerk's financial statements are prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in <u>Government Auditing Standards</u> issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Jefferson County Clerk's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Jefferson County Clerk's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County Clerk's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of The Financial Statements Performed In Accordance With Government Auditing Standards (Continued)

#### **Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the Jefferson County Clerk's financial statements as of December 31, 2009, are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Louisville/Jefferson County Metro Council, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Crit Luallen

**Auditor of Public Accounts** 

April 13, 2010